

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EB-11 SS-20 NSC-07 OPIC-12 OMB-01

CIEP-02 STR-08 CIAE-00 DODE-00 INR-10 NSAE-00 PA-04

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AGR-20 PM-07 SPM-01 SCI-06 XMB-07 L-03 H-03 AEC-11

ACDA-19 DRC-01 /198 W

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R 151415Z APR 74

FM AMEMBASSY SOFIA

TO SECSTATE WASHDC 7863

USDOC WASHDC

US DEPT TREASURY

INFO USIA WASHDC

AMEMBASSY MOSCOW

AMEMBASSY BELGRADE

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY PRAGUE

AMEMBASSY WARSAW

AMEMBASSY BRUSSELS

C O N F I D E N T I A L 0569

E.O. 11652: GDS

TAGS: OVIP (DENT, FREDERICK) EGEN, PFOR, BU, US

SUBJECT: SECRETARY DENT'S VISIT TO BULGARIA: HIGHLIGHTS OF
ECONOMIC CONVERSATIONS

BURSSSELS FOR DENT PARTY

SECRETARY DENT'S MEETINGS WITH HIGH LEVEL BULGARIAN PARTY AND
GOVERNMENT OFFICIALS, INCLUDING PRESIDENT TODOR ZHIVKOV,
PREMIER STANKO TODOROV, DEPUTY PREMIER IVAN POPOV, MINISTER
OF FOREIGN TRADE IVAN NEDEV, AND OTHERS, COVERED BROAD RANGE
OF ISSUES. HIGHLIGHTS OF HIS DISCUSSIONS ON ECONOMIC MATTERS
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FOLLOW.

2. INDUSTRIAL COOPERATION. MAIN THRUST OF BULGARIAN REMARKS WAS DESIRE TO HAVE U.S. FIRMS PARTICIPATE IN LARGE SCALE INDUSTRIAL PROJECTS IN BULGARIA. SPECIFIC AREAS OF INTEREST INCLUDE METALLURGY (CONSTRUCTION OF THIRD STEEL COMPLEX WITH 10-12 MILLION TON CAPACITY),

MINING (EXTRACTION OF MANGANESE, EXPLOITATION OF OIL SHALES, LIQUIFICATION OF LIGNITE, ALUMINA EXTRACTION), SHIPBUILDING, ELECTRONICS, AGRICULTURE, AND PETROLEUM EXPLORATION IN BLACK SEA SHELF. WHILE REITERATING BULGARIAN POSITION THAT FOREIGN EQUITY OWNERSHIP IS PROHIBITED, BULGARIANS EMPHASIZED THIS NEED NOT PRECLUDE LARGE-SCALE COOPERATIVE ARRANGEMENTS (WHICH THEY ALSO CALL "JOINT VENTURES") OF BENEFIT TO BOTH SIDES. THEY ENVISAGE DEALS UNDER WHICH U.S. FIRMS WOULD SUPPLY TECHNOLOGY, KNOW-HOW, AND EQUIPMENT IN RETURN FOR AGREED PERCENTAGE OF PLANT'S OUTPUT OR, ALTERNATIVELY, PERCENTAGE OF PROFITS ACCRUED FROM JOINT MARKETING OF PRODUCT IN THIRD COUNTRIES. SECRETARY DENT MADE CLEAR THAT COMPETITION FOR U.S. CAPITAL WILL BE VERY STRONG, AND TERMS HAVE TO BE ATTRACTIVE TO SECURE MAJOR AMERICAN INVESTMENTS, AND HE EXPLAINED THAT U.S. BUSINESS FIRMS AND BANKS WILL LOOK HARD AT SUCH FACTORS AS REPATRIATION OF PROFITS, LOCAL REGULATIONS, FACILITIES FOR RESIDENCE OF THEIR REPRESENTATIVES, ETC.

2. BULGARIAN SIDE MADE MUCH OF RECENT INVITATIONS TO U.S. COMPANIES, INCLUDING KAISER, LUMMIS, AND EXXON WHICH THEY HOPED WOULD LEAD TO FIRM CONTRACTS FOR SOME OF THESE PROJECTS. WHILE THEY PUSHED HARD FOR AGREEMENTS ON TRADE, CREDITS, SCIENTIFIC AND TECHNICAL COOPERATION AND AGRICULTURE, THEY POINTED OUT ALL THESE CONTACTS HAD TAKEN PLACE IN ABSENCE OF GOVERNMENTAL AGREEMENTS AND WERE EVIDENCE OF BULGARIAN WILLINGNESS TO MOVE AHEAD RAPIDLY IN EXPANDING ECONOMIC RELATIONS.

3. CLASSICAL TRADE. BULGARIAN OFFICIALS POINTED OUT THAT TRADE WITH U.S., ALTHOUGH DOUBLED IN 1973, REPRESENTED VERY SMALL PERCENTAGE OF POTENTIAL. NOTING THAT TRADE WITH FRG WOULD REACH \$300 MILLION AND WITH JAPAN \$85 MILLION THIS YEAR, THEY EXPRESSED CONFIDENCE THAT IF OBSTACLES REMOVED, U.S. TRADE COULD ALSO FLOURISH. BULGARS SAID THAT MANY U.S. PRODUCTS NOW PURCHASED THROUGH THIRD COUNTRIES, THEY WOULD PREFER TO BUY "FROM THE

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SOURCE". THEY EXPRESSED UNDERSTANDING OF ADMINISTRATION'S POSITION ON TRADE BILL AND HOPED THAT MFN WOULD BE GRANTED IN NEAR FUTURE. IT WAS ULTIMATE BULGARIAN GOAL TO SIGN LONG TERM TRADE AGREEMENT WITH U.S., ALTHOUGH THEY ARE AWARE THAT THIS DEPENDS ON RESOLUTION OF TRADE BILL NOW BEFORE CONGRESS. BOTH POPOV AND NEDEV PRESSED HARD FOR AGREEMENTS (POPOV ESPECIALLY FOR TECHNICAL/SCIENTIFIC COOPERATION) WHICH THEY SAW AS SIGNAL TO AMERICAN AND BULGARIAN MANAGERS THAT THEIR GOVERNMENTS SMILE ON

COOPERATION BETWEEN THEIR COUNTRIES. SECRETARY DENT MADE CLEAR THAT AMERICAN BUSINESS DOESN'T REQUIRE SUCH AGREEMENTS TO GO AGGRESSIVELY AFTER OPPORTUNITIES IN BULGARIA; HIS OWN VISIT CONSTITUTED A SIGNAL, AND HE WOULD PASS THE WORD ALONG ABOUT OPPORTUNITIES FOR AMERICAN BUSINESS REGARDLESS WHETHER AGREEMENTS ARE SIGNED IN NEAR FUTURE.

4. CREDITS. BULGARS SAID THEY NOW RECEIVE FULL LINE OF CREDITS FROM WEST EUROPEANS, WITH FRG IN LEAD. GOB TRIES TO MAINTAIN BALANCE ONLY IN MEDIUM TERM CREDITS. ALTHOUGH NO FORMAL CONTACTS HAD YET BEEN MADE WITH EX-IM BANK, BULGARIA WOULD CLEARLY LIKE TO BE ABLE TO ACQUIRE DOLLAR CREDITS, EVEN THOUGH THEY HAVE BEEN ABLE IN PAST TO PURCHASE IN EUROPEAN DOLLAR MARKET. AS FOR INDUSTRIAL COOPERATION, BULGARS WOULD LIKE TO RECEIVE EQUIPMENT AND PLANTS ON CREDIT TO BE REPAYED IN PRODUCT.

5. OPPORTUNITIES IN NUCLEAR ENERGY. SINCE BULGARIANS REFERRED TO FACT THEY WILL BE HAVING FIRST NUCLEAR POWER STATION ON LINE THIS SPRING AND SECOND BEFORE THE END OF YEAR, WITH SUBSTANTIAL INCREASE IN 1975/1980 FRAMEWORK, SECRETARY MENTIONED THAT U.S. MIGHT HAVE MUCH TO OFFER IN THIS FIELD. MINISTER NEDEV SAID FLATLY THAT USSR WOULD PROVIDE REACTORS AND TECHNOLOGY FOR FULL DURATION OF NEXT FIVE-YEAR PLAN; VICE PREMIER POPOV WAS SOMEWHAT LESS CATEGORIC, SHOWING INTEREST IN SECRETARY'S MENTION OF SHIP-BASED NUCLEAR PLANTS AND THEIR ENVIRONMENTAL ADVANTAGES.

6. GENERAL ECONOMIC FACTORS. BULGARS SPENT CONSIDERABLE TIME REVIEWING STATUS OF BULGARIAN ECONOMY AND OUTLINED PLANS THROUGH 1990. PERIOD 1975-1980 CALLS FOR 40PERCENT OF INVESTMENT TO BE earmarked FOR PLAN MODERNIZATION. \$10 BILLION TO BE USED FOR IMPORT OF WHOLE PLANTS AND EQUIPMENT. FROM LEVEL OF \$7.5 BILLION IN 1974, FOREIGN TRADE SLATED TO INCREASE TO \$24 BILLION IN 1980 AND \$55 BILLION BY 1996. BULGARS MADE POINT THAT ALTHOUGH LARGE BALANCE

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OF TRADE WOULD BE WITH SOCIALIST COUNTRIES, THEY WERE NOT TIED TO ANY GIVEN RATION. MAIN POINT OF THIS EXPOSE WAS TO STRESS OPPORTUNITIES FOR U.S. COMPANIES IF CONDITIONS WERE RIGHT.

7. ALL OFFICIALS TOOK OCCASION TO STATE BELIEF THAT "CONDITIONS NOW RIPE" FOR QUANTUM JUMP IN DEMENSIONS AND SCOPE (I.E., VIRTUALLY ACROSS-THE-BOARD) ECONOMIC AND COMMERCIAL TIES WITH U.S. ATMOSPHERE OF MEETINGS WAS CORDIAL AND BUSINESSLIKE; ALL FROM BULGARIAN SIDE SEEMED TO HAVE REALISTIC APPRECIATION OF STATUS OF MFN AND EX-IM CREDITS, WHILE AT SAME TIME PUSHING FOR SPECIFIC COOPERATIVE AGREEMENTS AND REITERATING HOPE THAT WHEN TRADE BILL PASSED, COMMERCIAL TIES WITH U.S. COULD "RAPIDLY BE NORMALIZED".
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